

Request for Council Action

Originator Port Authority	Item Alpha Business Center Alpha B Agreement Approvals with South Loop Investments, Inc.
Agenda Section	Date 9/1/2015
Description	

Staff is working with South Loop Investments (aka Terratron or David Peters) on development of the Alpha B parcel, which is located in the southeast corner of Lindau Lane and 24th Avenue (see attached site plan). On December 10, 2014, the boards approved the Purchase and Redevelopment Contract (PRC) for the project, which allowed staff and the developer to work on the various other agreements needed for the development.

Background

The approved preliminary development plan for the site consists of a 148-room hotel, 9,500 square foot restaurant, 2,000 square foot coffee shop, 14,500 square foot market/pharmacy and an approximately 326 space parking ramp. The PRC requires the developer to purchase the land for Phase 1 comprising the hotel, restaurant and coffee shop. The market/pharmacy parcel was scheduled as Phase 2 which is to be completed by October 31, 2018. The City selected this developer based on the proposed increased density on the site and was willing to invest in the project by building the parking ramp to create a mixed use development.

The developer is requesting a change to the development timing of the sub-components of Phase 1 based on construction schedules and leasing status of the restaurant and coffee shop. The hotel takes 12-14 months to construct and is slated to close immediately upon approval of the Agreements by the boards, the restaurant and coffee shop take 5-6 months and the parking ramp takes 8-9 months. The developer is proposing to purchase the property for Phase 1 now consistent with the original agreement, begin construction of the hotel and parking ramp immediately with approval by the boards, and start the restaurant/coffee later. (The Phase 1 property consists of two lots totaling 2.298 acres and the purchase price paid by the developer is \$2.34 million.) The restaurant/coffee shop is scheduled to start construction in the spring, but no later than October 31, 2016. This also allows the developer to complete lease negotiations on the restaurant and coffee shop – and still open the entirety of Phase 1 at the same time.

In exchange for allowing a staggered start for Phase 1, City staff has negotiated a personal/corporate guaranty for the parking that is currently being built for the restaurant and coffee shop, which is approximately 38% of the required site parking. If the restaurant and coffee shop are not built, the City would use the guaranty to pay for the restaurant's share of the parking ramp. Springsted conducted a review of the developer's personal and corporate finances and has provided the attached summary of their findings. Staff believes that the guaranty addresses the risk to the City and Port of the restaurant not being built, and provides an ample incentive to the developer to build the original proposed development. The City would also have the option to repurchase the restaurant/coffee parcel at the original purchase price, if the developer doesn't begin construction of the restaurant/coffee by October 31, 2018.

At the December, 2014 meeting, it was determined by the boards that public investment was warranted to allow a mix of uses at a greater density than the market would accomplish on its own. A maximum public investment was established in the PRC at \$5.6 million for the parking ramp based on the private investment in the two phases of the project and the estimated cost of the ramp, which resulted in a 16.3% public to private investment ratio. The PRC required the public investment to be substantiated with a needs analysis. The private costs of the development have increased approximately \$2.76 million and the public costs of the parking ramp have increased about \$130,000 to \$5.74 million. The new public to private ratio is 15.4%. A needs analysis has been completed that determines the level of public subsidy proposed allows the development to move forward at market rate profits. The parking ramp will be constructed using South Loop Development Funds. Recapture Agreements for all phases are required to ensure some of the public investment is returned if the developer makes above market returns.

The Port Board is required to hold the advertised Public hearing for the sale of the Alpha B parcels to the developer.

A summary of each of the Agreements necessary to begin the development is included as an attachment.

Requested Action

The Port Authority is asked to consider the attached resolutions:

- 1) approving land conveyance
- 2) approving the Agreements necessary for the development of the Alpha B parcel.

The City Council is asked to consider the attached resolution approving the Agreements necessary for the development of the Alpha B parcel.

Attachments:

Port Resolution approving land conveyance
Port Resolution Approving Agreements
Council Resolution Approving Agreements
Alpha B Area Map and Site Plan
Summary of Alpha B Agreements
Purchase and Redevelopment Contract - December 10, 2014
First Amendment to Purchase and Redevelopment Contract
Public Plaza Easement Maintenance Agreement
Reciprocal Covenants, Easements, Maintenance and Use Agreement
Parking Ramp Development Agreement
Parking Lease Management Agreement
Alpha B Guaranty Agreement
Hotel Recapture Agreement
Disbursing Agreement
Assignment and Assumption Agreement
Assignment and Assumption Agreement between South Loop Investments 1 & 2
Site Development Agreement
Design Peer Review and Construction Monitoring Services Agreement
Due Diligence Memorandum (Springsted)